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| APPLICATION NO.   | FILING DATE | FIRST NAMED INVENTOR                | ATTORNEY DOCKET NO. | CONFIRMATION NO. |
| 09/891,978  | 06/26/2001  | Michael Roscoe                      | Hartford-4          | 1047             |
| 7590<br>PLEVY & HOWARD<br>P.O. BOX 226<br>FT WASHINGTON, PA 19034 |             | EXAMINER<br>CHENCINSKI, SIEGFRIED E |                     |                  |
|   |             | ART UNIT<br>3691                    |                     |                  |
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**Please find below and/or attached an Office communication concerning this application or proceeding.**

The time period for reply, if any, is set in the attached communication.

# Office Action Summary

**Application No.**

09/891,978

**Applicant(s)**

ROSCOE ET AL.

**Examiner**

SIEGFRIED E. CHENCINSKI

**Art Unit**

3691

**Period for Reply** -- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

**Status**

- 1) ☒ Responsive to communication(s) filed on 08 November 2007.
- 2a) ☒ This action is **FINAL**. 2b) ☐ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

**Disposition of Claims**

- 4) ☒ Claim(s) 31-34 is/are pending in the application.
- 4a) Of the above claim(s) \_\_\_\_\_ is/are withdrawn from consideration.
- 5) ☐ Claim(s) \_\_\_\_\_ is/are allowed.
- 6) ☒ Claim(s) 31-34 is/are rejected.
- 7) ☐ Claim(s) \_\_\_\_\_ is/are objected to.
- 8) ☐ Claim(s) \_\_\_\_\_ are subject to restriction and/or election requirement.

**Application Papers**

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on \_\_\_\_\_ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
- Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
- Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

**Priority under 35 U.S.C. § 119**

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some \* c) ☐ None of:
- ☐ Certified copies of the priority documents have been received.
  - ☐ Certified copies of the priority documents have been received in Application No. \_\_\_\_\_.
  - ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

\* See the attached detailed Office action for a list of the certified copies not received.

**Attachment(s)**

- 1) ☒ Notice of References Cited (PTO-892)
- 2) ☐ Notice of Draftsperson's Patent Drawing Review (PTO-948)
- 3) ☐ Information Disclosure Statement(s) (PTO/SB/08)
- Paper No./Mail Date: \_\_\_\_\_

- 4) ☐ Interview Summary (PTO-413)
- Paper No(s)/Mail Date: \_\_\_\_\_
- 5) ☐ Notice of Informal Patent Application
- 6) ☐ Other: \_\_\_\_\_

## DETAILED ACTION

### ***Claim Rejections - 35 USC § 103***

The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

**1. Claims 31-34 are rejected** under 35 U.S.C. 103(a) as being unpatentable over Koppes et al. (US Patent 5,926,792, hereafter Koppes) in view of Champion et al. (US Patent 5,126,936, hereafter Champion) and Parsons (US Patent 65,411,939 B1).

**PLEASE NOTE:** Due to the rejection of claim 31 under 35 USC 112, second paragraph, for purposes of examination the examiner is adding the word "value" to currently amended element (b) of this claim so that the claim element reads "determining a net asset value at a known time based on a performance return of each of said investment instrument".

**Re. claim 31,** Koppes discloses a method and system to track, reconcile and administer the values of life insurance policies in separate accounts. Targeted funds are translated into unit values on a daily basis for each fund. Additionally, the system tracks restrictions (e.g. timing, account reallocations) on a premium by premium basis, and tracks the book value, market value, duration and targeted return on a client-by-client basis (Abstract). Koppes further discloses the periodic determining of policy values (daily – Col. 5, ll. 1-11, 39, 53), the imposing of administrative fees for each premium paid in (Col. 4, ll. 66-67), and the charging of performance fees on asset performance (Col. 1, l. 57), and the determining of net asset values for each investment instrument and the adjusting of the current number of insurance units at a selected date (daily – Col. 5, ll. 39, 53)

Koppes does not explicitly disclose

- the imposing of one time administrative fees deducted from premiums as they

are paid in prior to investment.

- the charging of performance fees on positive asset performance growth only if the change in investment value is positive.

However, Parsons discloses the charging of administrative fees passed assessed to investor participants prior and being deducted prior to the investment of funds (Col. 46, ll. 31-43; Col. 60, ll. 57-62).

Further, Champion discloses the charging of performance fees contingent on financial asset value performance over set periods of time (Col. 11, ll. 26-27).

Therefore, an ordinary practitioner of the art at the time of Applicant's invention would have found it obvious to combine the disclosures of Koppes, Champion and Parsons in order to construct a method for determining life insurance policy values, motivated by a desire to provide methods and systems capable of tracking and reporting assets and liabilities on a near real-time basis, making administration simple, keeping costs low, and providing timely information to plan participants and sponsors (Koppes, Col. 4, ll. 18-24, 28-30 & 31-32).

**Re. claim 32**, Koppes discloses a method wherein said performance fee includes a fee for investment management and performance. (See the rejection of claim 31).

**Re. claim 33**, Koppes discloses the use of policy anniversary dates for triggering a particular event (Col. 6, l. 30; Col. 14, l. 23). It would have been obvious to an ordinary practitioner of the art at the time of Applicant's invention to have used an anniversary date as a selected date for determining life insurance policy value.

**Re. claim 34**, the disclosures by Koppes, Champion and Parsons regarding the determining of life insurance policy values are stated in the rejection of independent claim 31 above. It would have been obvious to an ordinary practitioner of the art at the time of Applicant's invention to have deduced from the Koppes teaching the method for determining a life insurance policy value comprising the steps of: (a) calculating a gross net asset value; (b) deducting an investment expense; (c) calculating a cost of insurance; (d) calculating a number of units for the cost of insurance charge; (e) calculating an investment gain or loss; and if the investment gain is positive then calculate an incurred performance fee otherwise set the performance fee to a fixed

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value. Therefore, an ordinary practitioner of the art at the time of Applicant's invention would have found it obvious to combine the disclosures of Koppes, Champion and Parsons in order to construct a method for determining life insurance policy values, motivated by a desire to provide methods and systems capable of tracking and reporting assets and liabilities on a near real-time basis, making administration simple, keeping costs low, and providing timely information to plan participants and sponsors (Koppes, Col. 4, ll. 18-24, 28-30 & 31-32).

### ***Response to Arguments***

2. Applicant's arguments filed November 8, 2007 with respect to claims 31-34 have been considered but they are not persuasive.

**ARGUMENT A:** "... the present rejections are merely based on impermissible hindsight reconstruction in view of the Applicant's own disclosure" (p. 4, ll. 18-19; p. 6, l. 23 -. p. 7, l. 26).

### **RESPONSE:**

#### **(a) LAW:**

**BPAI, *Ex parte* CATAN, Appeal 2007-0820, Decided: July 3, 2007**

### **PRINCIPLES OF LAW**

"Section 103 forbids issuance of a patent when 'the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.'" *KSR Int'l Co. v. Teleflex Inc.*, 127 S.Ct. 1727, 1734, 82 USPQ2d 1385, 1391 (2007). The question of obviousness is resolved on the basis of underlying factual determinations including (1) the scope and content of the prior art, (2) any differences between the claimed subject matter and the prior art, (3) the level of skill in the art. *Graham v. John Deere Co.*, 383 U.S. 1, 17-18, 148 USPQ 459, 467 (1966). *See also* *KSR*, 127 S.Ct. at 1734, 82 USPQ2d at 1391 ("While the sequence of these questions might be reordered in any particular case, the [*Graham*] factors continue to define the inquiry that controls.") The Court in *Graham* further noted that evidence of secondary considerations, such as commercial success, long felt

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but unsolved needs, failure of others, etc., “might be utilized to give light to the circumstances surrounding the origin of the subject matter sought to be patented.” 383 U.S. at 18, 148 USPQ at 467.

In *KSR*, the Supreme Court emphasized “the need for caution in granting a patent based on the combination of elements found in the prior art,” *id.* at 1739, 82 USPQ2d at 1395, and discussed circumstances in which

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a patent might be determined to be obvious without an explicit application of the teaching, suggestion, motivation test.

In particular, the Supreme Court emphasized that “the principles laid down in *Graham* reaffirmed the ‘functional approach’ of *Hotchkiss*, 11 How. 248.” *KSR*, 127 S.Ct. at 1739, 82 USPQ2d at 1395 (citing *Graham v. John Deere Co.*, 383 U.S. 1, 12, 148 USPQ 459, 464 (1966) (emphasis added)), and reaffirmed principles based on its precedent that “[t]he combination of familiar elements according to known methods is likely to be obvious when it does no more than yield predictable results.” *Id.* The Court explained:

When a work is available in one field of endeavor, design incentives and other market forces can prompt variations of it, either in the same field or a different one. If a person of ordinary skill can implement a predictable variation, §103 likely bars its patentability. For the same reason, if a technique has been used to improve one device, and a person of ordinary skill in the art would recognize that it would improve similar devices in the same way, using the technique is obvious unless its actual application is beyond his or her skill.

*Id.* at 1740, 82 USPQ2d at 1396. The operative question in this “functional approach” is thus “whether the improvement is more than the predictable use of prior art elements according to their established functions.” *Id.*

The Supreme Court made clear that “[f]ollowing these principles may be more difficult in other cases than it is here because the claimed subject matter may involve more than the simple substitution of one known element for another or the mere application of a known technique to a piece of prior art ready for the improvement.” *Id.* The Court explained, “[o]ften, it will be necessary for a court to look to interrelated teachings of multiple patents; the effects of demands known to the design community or present in the marketplace; and the background knowledge possessed by a person having ordinary skill in the

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art, all in order to determine whether there was an apparent reason to combine the known elements in the fashion claimed by the patent at issue." *Id.* at 1740-41, 82 USPQ2d at 1396. The Court noted that "[t]o facilitate review, this analysis should be made explicit. *Id.* (citing *In re Kahn*, 441 F.3d 977, 988, 78 USPQ2d 1329, 1336 (Fed. Cir. 2006))" ("[R]ejections on obviousness grounds cannot be sustained by mere conclusory statements; instead, there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness"). However, "the analysis need not seek out precise teachings directed to the specific subject matter of the challenged claim, for a court can take account of the inferences and creative steps that a person of ordinary skill in the art would employ." *Id.* at 1741, 82 USPQ2d at 1396.

In the instant case,

## **(2) MPEP 2145 X. A. - HINDSIGHT RECONSTRUCTION**

Applicants may argue that the examiner's conclusion of obviousness is based on improper hindsight reasoning. However, "[a]ny judgement on obviousness is in a sense necessarily a reconstruction based on hindsight reasoning, but so long as it takes into account only knowledge which was within the level of ordinary skill in the art at the time the claimed invention was made and does not include knowledge gleaned only from applicant's disclosure, such a reconstruction is proper." *In re McLaughlin* 443 F.2d 1392, 1395, 170 USPQ 209, 212 (CCPA 1971). Applicants may also argue that the combination of two or more references is "hindsight" because "express" motivation to combine the references is lacking. However, there is no requirement that an "express, written motivation to combine must appear in prior art references before a finding of obviousness." See *Ruiz v. A.B. Chance Co.*, 357 F.3d 1270, 1276, 69 USPQ2d 1686, 1690 (Fed. Cir. 2004). For example, motivation to combine prior art references may exist in the nature of the problem to be solved (*Ruiz* at 1276, 69 USPQ2d at 1690) or the knowledge of one of ordinary skill in the art (*National Steel Car v. Canadian Pacific Railway Ltd.*, 357 F.3d 1319, 1338, 69 USPQ2d 1641, 1656 (Fed. Cir. 2004)). See [MPEP § 2143.01 <2100\\_2143\\_01.htm>](#) for a discussion of proper motivation to combine references.

(b) In the instant case, the examiner's obviousness rejections of claims 1 – 34 have been made within the above court guidelines. These guidelines are reinforced in the US Supreme Court's 2007 opinion known as KSR (excerpted above from a BPAI opinion) which reiterated and clarified these guidelines by repeating similar guidelines from the *In re Kahn* opinion, explicitly adding the importance of the knowledge of one of ordinary skill in the art and common sense in making use of obviousness analysis by the examiner and the courts under 37 USC 103(a).

**ARGUMENT B:** “Furthermore, even assuming arguendo, a proper motivation would exist for combining the references, such combination nevertheless fails to teach each of the features of the present claims” (p. 4, ll. 20-22).

As an example, Applicant argues as follows:

Re. Claim 31: “... the combination fails to teach or suggest that the *current number* of insurance units are to be *modified by a number that corresponds to a change in value* of each of the investment instruments reduced by a corresponding performance fee according to net asset value, and where the *fee is a known percentage of the change in value* of each investment instrument *if the change in value is a positive change*. The cited art of record makes no mention of a determination based on change of net asset value, and clearly no mention of a performance fee being a known percentage of a change in value of each instrument based on whether or not the change is positive. (underlining added)” (p. 5, ll. 31-36).

“Independent Claim 34 recites features and limitations similar to those discussed above with regard to Claim 31. In particular, independent Claim 31 recites *inter alia* “calculating an investment gain or loss; and if the investment gain is positive then calculating an incurred performance fee; otherwise setting the performance fee to a fixed value.” The combination of references fails to teach each of these features and limitations for at least the reasons discussed above.” (p. 6, ll. 11-17).



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**RESPONSE:****(a) LAW**

Applicant is advised of the examination guidelines under 37 USC 103(a) which have been reiterated by the US Supreme Court in April, 2007 in the above excerpted opinion known as KSR. An important aspect of this opinion is its emphasis on the guidelines in the federal circuit's *In re Kahn* opinion, explicitly adding the importance of the knowledge of one of ordinary skill in the art and common sense in making use of obviousness analysis by the examiner and the courts under 37 USC 103(a). It is the examiner's obligation to determine what the ordinary practitioner would have and should have known at the time of Applicant's invention, and what such one of ordinary skill would have or should have seen as common sense in regard to the art of the invention. It is besides the point whether that one of ordinary skill may have failed to do regarding the use of such knowledge and common sense. Further, it has been ruled that even practices outside the specific art are legitimate components in obviousness analysis if such practices solve the problem Applicant's invention is attempting to solve.

**(b)** In the instant case of Applicant's claimed limitations and Applicant's current arguments, the examiner has properly cited references within the art of the life insurance industry (Koppes), the closely related financial asset management art (Champion) and art which bridges insurance, employee benefits, compensation and financial transaction relates thereto (Parsons).

**(c) Determination (of a performance fee) based on**

**(1) change of net asset value.**

**(2) a known percentage of a change in value of each instrument based on whether or not the change is positive.**

The rejection of claim 31 in the last Office Action based on Koppes clearly states that Koppes discloses the charging of performance fees based on asset performance (p. 3, line 7, referring to Koppes, Col. 1, l. 57) and doing so by determining of net asset values for each investment instrument (p. 3, l. 8 referring to Koppes, Col. 5, ll. 39, 53). The common sense factor makes clear that one of ordinary skill in the art would have found it obvious that performance means positive change in value, as Applicant claims.

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Further, one did not even have to be an ordinary practitioner in the insurance and financial asset management art to have understood that management fees are often charged for positive changes in value of the assets under management. This is why Koppes further discloses 'the rate of increase of the "Standard and Poor's 500 minus some fixed percentage"' (Col. 2, ll. 11-13).

Thus, the examiner has properly made the required *prima facie* case of obviousness in the rejection of the argued limitations.

**ARGUMENT C:** "... the Examiner has failed to articulate a proper motivation or nexus for combining the three references used to rejection the present claims." (p. 6, ll. 19-21).

**RESPONSE:**

**(a) LAW:**

**MPEP 2145 X. A. - HINDSIGHT RECONSTRUCTION**

Applicants may argue that the examiner's conclusion of obviousness is based on improper hindsight reasoning. However, "[a]ny judgement on obviousness is in a sense necessarily a reconstruction based on hindsight reasoning, but so long as it takes into account only knowledge which was within the level of ordinary skill in the art at the time the claimed invention was made and does not include knowledge gleaned only from applicant's disclosure, such a reconstruction is proper." *In re McLaughlin* 443 F.2d 1392, 1395, 170 USPQ 209, 212 (CCPA 1971). Applicants may also argue that the combination of two or more references is "hindsight" because "express" motivation to combine the references is lacking. However, **there is no requirement that an "express, written motivation to combine must appear in prior art references before a finding of obviousness (bolding and underlining added).**" See *Ruiz v. A.B. Chance Co.*, 357 F.3d 1270, 1276, 69 USPQ2d 1686, 1690 (Fed. Cir. 2004). For example, motivation to combine prior art references may exist in the nature of the problem to be solved (*Ruiz* at 1276, 69 USPQ2d at 1690) or the knowledge of one of ordinary skill in the art (*National Steel Car v. Canadian Pacific Railway Ltd.*, 357 F.3d 1319, 1338, 69 USPQ2d 1641, 1656 (Fed. Cir. 2004)). See [MPEP § 2143.01 <2100\\_2143\\_01.htm>](#) for a discussion of proper motivation to combine references.

(b) In the instant case, the examiner's obviousness rejections of claims 1 – 34 have been made within the above court guidelines. These guidelines are reinforced in the above excerpted US Supreme Court's 2007 KSR opinion which reiterated and clarified these guidelines by repeating similar guidelines from the *In re Kahn* opinion, explicitly

adding the importance of the knowledge of one of ordinary skill in the art and common sense in making use of obviousness analysis by the examiner and the courts under 37 USC 103(a).

Thus, the examiner has properly made the required *prima facie* case of obviousness in the rejection of the argued limitations.

### **Conclusion**

**3. THIS ACTION IS MADE FINAL.** Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire THREE MONTHS from the mailing date of this action. In the event a first reply is filed within TWO MONTHS of the mailing date of this final action and the advisory action is not mailed until after the end of the THREE-MONTH shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than SIX MONTHS from the mailing date of this final action.

Any inquiry concerning this communication or earlier communications from the Examiner should be directed to Siegfried Chencinski whose telephone number is (571)272-6792. The Examiner can normally be reached Monday through Friday, 9am to 6pm.

If attempts to reach the Examiner by telephone are unsuccessful, the Examiner's supervisor, Alexander Kalinowski, can be reached on (571) 272-6771.

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).

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Any response to this action should be mailed to:

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or faxed to:

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(571) 273-6793 [Informal/Draft communications, labeled "PROPOSED" or  
"DRAFT"]

Hand delivered responses should be brought to the address found on the above  
USPTO web site in Alexandria, VA.

SEC

February 17, 2008

/Narayanswamy Subramanian/  
Primary Examiner  
Art Unit 3691